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Loan and Grant Agreements

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A.I.D. Project No. 391-0481  
Dollar Appropriation No. 72-1101021  
Budget Plan Code: QDNA-90-27391-KG-13  
Project Agreement No. 90-16

FOURTH AMENDATORY AGREEMENT

TO

PROJECT GRANT AGREEMENT

BETWEEN

THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

AND THE

UNITED STATES OF AMERICA

FOR

FORESTRY PLANNING AND DEVELOPMENT

DATED: August 12, 1990

(CONFORMED COPY)

A.I.D. Project No. 391-0481  
Dollar Appropriation No. 72-1101021  
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FOURTH AMENDATORY AGREEMENT TO  
PROJECT GRANT AGREEMENT FOR  
FORESTRY PLANNING AND DEVELOPMENT

Dated: August 12, 1990

Between

The President of the Islamic Republic of Pakistan (hereinafter referred to as the "Grantee")

and

The United States of America, acting through the Agency for International Development ("A.I.D.").

**Article 1: Purpose of Amendment**

This Fourth Amendatory Agreement to Project Grant Agreement No. 391-0481 dated August 28, 1983 is hereby entered into between the Parties above named to (a) grant the Grantee additional United States ("U.S.") Dollars under this Project; (b) replace Section 3.2 of the original Project Grant Agreement with a new Section 3.2 and (c) replace Annex 1 of the original Project Grant Agreement with a new Annex 1.

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**Article 2: Financing**

Section 3.1 of the original Project Grant Agreement is hereby deleted and the following substituted in its stead:

**"SECTION 3.1. The Grant.** To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee under the terms of this Agreement an additional Three Million United States ("U.S.") Dollars (\$3,000,000). The total Grant comprising the original Agreement, the First Amendatory Agreement, the Second Amendatory Agreement, the Third Amendatory Agreement and this Fourth Amendatory Agreement shall not exceed Twenty-One Million United States ("U.S.") Dollars (\$21,000,000) ("Grant").

The Grant may be used to finance foreign exchange costs as defined in Section 7.1 of this Agreement, and local currency costs as defined in Section 7.2 of this Agreement, of goods and services required for the Project."

**Article 3: Grantee Resources For The Project**

Section 3.2 of the original Project Grant Agreement is hereby deleted and the following substituted in its stead:

"(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Grantee for the Project will be not less than the equivalent of US \$750,000 including costs borne on an 'in-kind basis'."

**Article 4: Annex 1 - Project Description**

Annex 1 of the original Project Grant Agreement is hereby deleted and the attached Annex 1 substituted in its stead.

**Article 5: Other Terms and Conditions**

All other terms and conditions of the original Project Grant Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Fourth Amendatory Agreement to be signed in their names and delivered as of the day and year first above written.

FOR AND ON BEHALF OF THE  
GOVERNMENT OF PAKISTAN

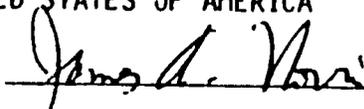
BY: 

NAME: Saad Ashraf

TITLE: Joint Secretary

Economic Affairs Division

FOR AND ON BEHALF OF THE  
UNITED STATES OF AMERICA

BY: 

NAME: James A. Norris

TITLE: Mission Director

USAID/Pakistan

**PROJECT DESCRIPTION:****A. Goal and Purpose**

The project goal and purpose remain the same as those found in the Project Agreement:

The primary goal of the project is to help Pakistan increase its energy supplies to achieve energy self-sufficiency. The secondary goal is to reverse the process of deforestation in Pakistan and to expand the extremely limited forest resource base. The primary purpose of the project is to strengthen the capacity of institutions at the federal, provincial, and local levels to design, implement, and evaluate policies and programs for increasing the production of fuel wood and timber in Pakistan. The secondary purpose of the project is to demonstrate the economic, technical, and social feasibility of producing tree crops on privately-owned farm and range lands.

**Output**

The revised project is expected to produce the following results:

1. The strengthening of a federal forest policy and planning team with professional staff responsible for integrating farm and energy forestry activities, private forest product sector needs, and other non-traditional forestry activities into federal policies, plans, and budgetary allocations. This will include the ability to collect and analyze data about the forestry sector.
2. The establishment of provincial forestry planning teams with skills necessary for provincial program planning and evaluation.
3. The strengthening of federal and provincial Forest Department infrastructure as required to implement tree crop management and outreach programs to owners of private farms and range lands.
4. The demonstration of tree crop management on approximately 70,000 acres of privately owned farm and range land leading directly to the production of approximately 126 million cubic feet of fuelwood, 9.2 million cubic feet of timber, and \$5.5 million worth of minor forest products including fodder, thorn fencing material, and mine pit props.
5. The improved management of about 5,000 acres of irrigated forest plantations on government land in Sind Province.
6. The training of 568 forestry and related professionals to improve their skills of decision-making, to develop farm and energy outreach training specialists, researchers, economic and marketing analysts, and to train planners for developing strategies to implement national policies on forestry and natural resource Management.
7. The training of approximately 60,000 farmers and their families in on-farm tree crop management.

8. The development of federal and provincial forest management plans (with emphasis on farm and energy forestry) in cooperation with the UNDP and ADB.
9. The expansion of the research program supporting farm forestry including cooperative agroforestry research with agriculture research workers.
10. The improvement of operations of the Tarbella Watershed project and reforestation of approximately 5,000 additional acres.
11. Assistance to Pakistani NGOs and PVOs in the natural resource management and conservation area through a grants program. Approximately 10-20 such grants of between \$5,000 and 50,000 will be given.
12. Improvement of provincial research stations and training centers. Four training centers and four research stations will be improved, one in each province.
13. The role of women in forestry will be enhanced by the construction of a women's hostel at PFI and funding the main building for renovation to include women's studies and washrooms. Additional WID activities will be developed.

### C. Amendment Activities

The following new activities will be integrated into the existing four components structure of the project.

#### 1. Field Operations

One of the principal activities of the Farm and Energy Forestry Operations Component is to encourage on-farm production of fuel wood, fodder, and timber for subsistence. Field demonstrations are aimed at encouraging the spread of farm-operated nurseries and woodlots. Sites originally selected for field demonstration and outreach include barani farmlands in several districts of Northwest Frontier Province (NWFP) and Punjab, and irrigated farmlands in the Nasirabad District of Balochistan. Considerable opportunity for development of on-farm forestry also exists in irrigated areas, where field evidence suggests that farmers motivation for adoption of tree-crop technology is already high. This Amendment will expand operations into the irrigated areas of the Punjab and the Sind.

Relatively high water availability in irrigated areas contributes to rapid tree growth rates that can generate substantial returns to the farmer. High returns on investment encourage farmer adoption of on-farm forestry technology. Initial successes among farmers are key to widespread adoption of tree crop technology which will enable the GOP Forest Departments to sustain the activity over time.

Other considerations also support expansion into irrigated farmlands. Most fuel wood is currently produced in irrigated areas. The marketing infrastructure necessary to service this production already exists.

Traditionally, farmers have planted trees on farmsteads along irrigation canals and fields to serve multiple purposes. Field activities suggest that farmers are both able and willing to expand output through increasing area planted and denser planting. At present, however, they lack access to technology that supports their requirements. To satisfy farmer demand in irrigated areas for forestry inputs, the Punjab and Sind Forestry Departments have requested assistance from the project.

## 2. Construction

Another major constraint to project implementation is inadequate physical infrastructure for research & training. The activities of the Farm and Energy Forestry Research component as now designed are to improve the scientific basis for farm and energy forestry activities and increase researchers knowledge of the social, economic and technical aspects of on-farm tree crop management. Present provincial research facilities are inadequate for conducting the area-specific, problem oriented research essential to generating and testing appropriate technology for integrating multi-purpose tree crops with farm crops.

In addition, the lack of facilities for conducting training at federal and provincial levels constrains the achievement of the extensive training required for foresters and farmers. The purpose of the Institutional and Manpower Development component is to strengthen GOP's capability to identify, implement, and evaluate alternative forest development programs and policies, through a variety of in-country and overseas training programs. Considerable in-country training is programmed in the provinces. In each province, one training and one research station will be improved. After PACD completion these facilities will be used as continuing education training centers for the Forests Departments.

Under the existing project, the construction component consists of forty-nine buildings: a hostel for 24 men and a hostel for 15 women at PFI; a conservator's office at Rawalpindi; seven divisional forest offices; 19 range offices; and 20 nursery huts. In addition, the Old Penah Minor in Sind is being upgraded and up to 5,000 acres of its command area will be improved. There are 137 nurseries to be developed. Under soil conservation activities, 7,000 acres of farmers' lands will be treated to stabilize erosion.

Under the project Amendment, the additional construction will consist of improved training facilities, research field stations, project offices in Sind, and improvement of existing facilities to allow women to study at PFI.

For the Sind, a local engineering firm has already prepared standard plans for the three types of project offices. Thirty-eight nurseries will be established. Soil conservation activities will involve an additional 500 acres allocated to the Sind Province.

The Office of Engineering, USAID, Islamabad will monitor all major construction activities with the assistance of a project funded engineer. As with the current construction program, USAID will contract a local A/E firm for design and construction supervision services at the PFI. The construction services for buildings will be performed by local firms under host country contracts or AID direct contracts or by the Forest Department with their own resources under direct reimbursement or fixed amount reimbursement (FAR) modes.

### 3. WID Activities

Women traditionally collect the fire wood in Pakistan. They also plant trees in and around their house yards for shade and to produce fodder for animals. In the project nurseries that have been established, women do much of the day-to-day work but cannot receive training because cultural modes prohibit men from approaching and discussing such things directly with them. In order to take advantage of the opportunity of bringing women into the project as tree growers and nursery operators, women must be included in the project extension staff.

Bringing women into the implementation of the project and into the decision making operations of the Forest Department is a high priority of the project. A first step is to get women into the professional ranks of the Forest Service in positions such as extension/outreach specialists, research officers, and statistics officers. The Forest Service is already recruiting women for training at the Pakistan Forest Institute (PFI). This training is required before entering the Forest Service as a professional. Other women may be given special training to act as motivators, nursery operators, or in other such positions. Several short-term consultancies are scheduled to assist with this task.

Women's participation in the various training activities envisaged by this component is inhibited in part by a simple lack of suitable facilities. For example, at the PFI, no housing or study room facilities are provided for women. Under the Amendment, a hostel for women students will be built and renovation of existing facilities for rest rooms and study rooms for women will be provided. Restructuring of physical facilities is a first, but necessary, step in the process of encouraging women's participation in the project. Although the potential and rationale for women's participation in the project was described in the IP, considerable work remains in designing methods to encourage this participation.

### 4. NGO/PVO Activities

Throughout the world and especially in South Asia (with the notable exception of Pakistan) the actions of NGO/PVOs have been instrumental in developing and implementing natural resource policy and in providing exceptional outreach to the rural, disadvantaged poor. This component will provide funding for both the development of indigenous NGO/PVO groups as well as for the operations of such groups. It is envisaged that the project will give an Operational Program Grant (OPG) to a US registered, experienced PVO who will in turn manage and administer the development and funding of Pakistani NGO/PVO organizations through sub-grants and other such mechanisms.

The principal PVO should be one that has had considerable experience with this type of program and has demonstrated ability to develop local, grass-root support of natural resource/environmental concerns. The requirement to help local NGO/PVOs develop technical and administrative skills will have top priority. The objective will be to create a management programs.

#### 5. Policy and Planning Enhancement

The Office of the Inspector General of Forests is the central source of information about the forestry sector in Pakistan. But it has almost no facilities to collect, analyze, or present relevant data. Policy statements are developed and enforced in this office but the lack of up-to-date field information prohibits early detection and justification of changes that may be required. Provision of training, equipment, and technical assistance will help this office become the strong central data source the country needs.

#### 6. Planning for Sustainability

The provincial Forest Department will take over project activities in 1993. Two Provinces (Punjab and Sind) are already in the process of assigning non-project personnel to FP&D work.

The success of the field demonstration in the present, limited project area and high farmer interest are encouraging the provincial Chief Conservators of Forests (CCF) to expand activities outside the project area. However, limited funds and the need to support traditional forestry activities constrain their actions. With continued success in the Farm and Energy Forestry Operations component, support will be gained for funding from provincial sources. The amended project will provide the Forest Departments with technical assistance, training, and construction to help them plan for the transfer of activities from the project over the course of the next four years.

#### 7. Marketing Needs

Under the amended project, the potential uses and markets of farm and energy forestry outputs will be studied. During the next two years plantations will be mature enough for harvesting. Potential markets and product mixes will be identified and sales prices estimated and confirmed with the help of several short-term and continuing consultancies.

In the O/IGF, a computer information data base on forestry marketing will be established. Private sector firms will be encouraged to participate actively in these marketing initiatives and will be assisted in developing products that use the raw material produced in the farm and energy plantations. The project will provide technical assistance and commodities, including computer software and hardware.

## 8. Soil Conservation

Soil conservation activities, started under the PF, will continue during the Amendment period. Specifically, some 1,200 acres in Sind will be added to the 5,800 acres covered in the other provinces. This is the result of reallocating 700 acres from other provinces and adding 500 acres to be funded under the Amendment. The total area benefiting from soil conservation increases from 6,500 acres to 7,000 acres.

Soil Conservation will be supported by tree planting on the reclaimed site. It is envisioned that the average farmer will receive about one acre of soil conservation assistance. These activities can repair water-logged and saline conditions as well as reverse active erosion to stable soil. Such reclaimed sites are ideal for farm forestry.

ILLUSTRATIVE

SUMMARY OF PROJECT COSTS BY EXPENSE CATEGORY  
AND SOURCE OF FUNDING 2/  
 (IN 000s)

Annex 1 (Amendment 3)  
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Expense Category	Cumulative FY 83, 84, 85, 86, 87, 88, 89 and FY 90 To date		Life of Project Funding 1/	
	A.I.D. Grant (in \$)	GOP (in Rs.)	A.I.D. Grant 3/ (in \$)	GOP (in Rs.)
Technical Assistance	6,700	-	9,243	-
Training	3,200	8,100	4,000	7,544
Commodities	2,300	-	2,383	2,284
Other Costs	8,625	80,600	9,000	160,413
Evaluation	175	-	374	-
SUB-TOTAL	21,000	88,700	25,000	170,241
Contingency	-	7,000	-	13,228
GRAND TOTAL	21,000	95,700	25,000 4/	183,469

- 1/ Subject to the availability of funds to A.I.D. for this purpose, and to the mutual agreement of both the parties to proceed at the time of each subsequent increment.
- 2/ Either party unilaterally, with written notice to the other, may adjust line items in this budget to a maximum of 15% per line item, provided, however, that the total obligated amount as shown in the budget is not exceeded.
- 3/ Does not include approximately \$3 million under the Agricultural Commodities and Equipment Program (391-0468) for the importation of earthmoving and land levelling machinery, nursery equipment and research equipment, subject to the availability of funds to A.I.D. for this purpose.
- 4/ A.I.D. has authorized an additional amount of US \$10.0 million to the Life of Project thus bringing total Life of Project to US \$35.0 million. However, subsequent Project Agreement Amendments for these additional funds will be executed only after the approval of the GOP's PC-I.